A DECADE OF GROWTH

Hormel

ANNUAL REPORT GEO. A. HORMEL & COMPANY / AUSTIN, MN 55912 / *FISCAL YEAR ENDED OCT. 27, 1979*

NET SALES
(Millions of Dollars)

1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600

1970 71 72 73 74 75 76 77 78 79

This graph, although identical to that which appears on the cover of this 1979 Annual Report, is a more detailed reproduction of the Company's 10-year net dollar sales growth for the period 1970-79. The starting point of the graph is $600 million.

Financial Highlights

	1979	1978
Net Sales	$1,414,016,000	$1,244,865,000
Net Earnings	$ 30,612,000	$ 20,039,000
Per Share of Common Stock	$ 6.37	$ 4.17
Per Cent of Sales	2.16%	1.61%
Dividends to Stockholders	$ 7,109,000	$ 6,532,000
Per Share of Common Stock	$ 1.48	$ 1.36
Capital Expenditures	$ 27,441,000	$ 15.808,000
Depreciation	$ 12,102,000	$ 11,551,000
Working Capital	$ 97,656,000	$ 89,298,000
Stockholders' Investment	$ 190,373,000	$ 166,870,000

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Management's Letter

As of this writing (late October), it appears that the past year, in many respects, was an outstanding year

Sales tonnage was up from last year even though beef tonnage was down.

Earnings and dollar sales were both at record levels In viewing the numbers, we need to remember that, although the earnings and sales dollars are larger, the forces of inflation cause the dollar units to be lessened.

The financial performance of each of the three major groups improved substantially over the preceding year.

During the year, organizational changes were made to accommodate the orderly shifting of final managerial responsibility over the course of the next two years. In electing a new president, we were able to provide increased opportunities and increased responsibilities for a number of our other talented executives.

I J Holton and R L Knowlton

The year 1979 also saw the beginning of the construction of the new plant in Austin, Minn. The commitment of capital to this project was so large that the matter received the very best efforts of our engineering and research staffs and the total involvement of our line executives. In designing the plant, we were able to draw upon the experience gained in the construction of our other plants and, particularly, our plant in Ottumwa, Iowa.

Our new gelatin manufacturing plant at Davenport, Iowa, was completed, with production to be increased gradually.

Capital investments of the magnitude that we have been making in the past 20 years indicate the confidence that we have in the future of our Company.

This past year also marked a reorganization calculated to enable the Company to more efficiently serve its customers in the food service industry.

The year 1979 also witnessed the orderly and peaceful conclusion of agreements with many of the unions representing Hormel employees. These agreements, although expensive, will provide an environment in which our efforts can continue without major interruptions for the next three years. We were particularly impressed by the good faith and sense of responsibility which was evident during the negotiations.

The unusual success which attended our efforts last year is perhaps more a function of more adequate supplies than any other single factor. Hog supplies in the United States for the year were up about 10 per cent from the preceding year, enabling our facilities to be utilized quite fully.

We regret the compelling economic necessity which caused us to close our hog dressing plant in Mitchell, S.D., and to announce the planned closing of our cow dressing plant in Miami, Okla. In the conduct of our business, as we all know, we prosper by not only building on our strengths but also by eliminating or minimizing our losses.

During the year, dividends on our common stock were increased for the 11th consecutive year. We plan to continue the orderly improvement in our dividends in spite of the fact that in the next few years our capital requirements will be unusually heavy.

Hog prices are lower than we think they should be and lower than we or our producers would like for them to be. Market forces require that pork be priced at a level which will clear the market. In recent months, your Company, in addition to its own promotional efforts, has been working with industry trade associations, the National Pork Producers' Council, and with the National Live Stock and Meat Board in an effort to increase the demand for pork and thereby strengthen the price of hogs.

Hog supplies are expected to be more than ample during the first six months of the next fiscal year, and at least ample for the second half. Although the wholesale prices of pork and pork-related products are generally lower than they were two years ago, the Consumer Price Index continues to rise at a rather alarming rate. Although our country's experience with mandatory price/wage controls has been uniformly unsuccessful as a matter of economics, we are concerned that our government might find it politically advisable to impose such a program in advance of the 1980 elections.

Absent such a happening, and absent precipitous restrictions on the use of sodium nitrite, 1980 should prove to be another excellent year for our Company.

As we look somewhat farther into the future, it is difficult not to be optimistic about our Company's prospects.

Organizations experienced in assessing the public's wishes concerning the food supply tell us that what is most desired are foods which are "natural," foods which are nutritious, foods which may be prepared conveniently, and foods which may be utilized as snacks.

What is more "natural" than meat?

Meat food products rank among the most highly-desirable on the basis of nutrition.

Our Company, for many years, has been focusing on the manufacture of products which can be prepared with a minimum of difficulty.

And a large share of our products are ideally adaptable to snacking.

We think it quite significant that the identification of what was desirable made no mention of the safety of our food, a testimonial to the outstanding record of the food manufacturing industry.

Positioned as we are to meet the perceived wishes of consumers, and with our facilities manned with experienced, skillful people at all levels, optimism for the Company's future comes rather naturally.

I. J. Holton

I. J. HOLTON
Chairman of the Board

R. L. Knowlton

R. L. KNOWLTON
President

Management Changes

Geo. A. Hormel & Company, like many of America's most successful companies, started as the dream of one man, George A. Hormel, who founded the Company in 1891. The Company's history of sustained growth over these past 88 years is a fitting testimonial to the collective achievements, the countless contributions, and the total commitment of the Company's management-employee force which, today, exceeds 8,300 men and women.

But the strong financial and marketing position that was developed over these many years could not have been maintained without a strong management structure. During fiscal 1979, a great deal of time was spent in further strengthening the Company's organizational structure. At the July 23 Board of Directors meeting, several important changes in the senior management team were effected.

Austin Native is President

Providing for the orderly transition of management, I. J. Holton, 60, who will reach his chosen retirement age in two years, was elected chairman of the board, filling the position vacated in July, 1974, by the resignation of M. B. Thompson. He continues as the Company's chief executive officer.

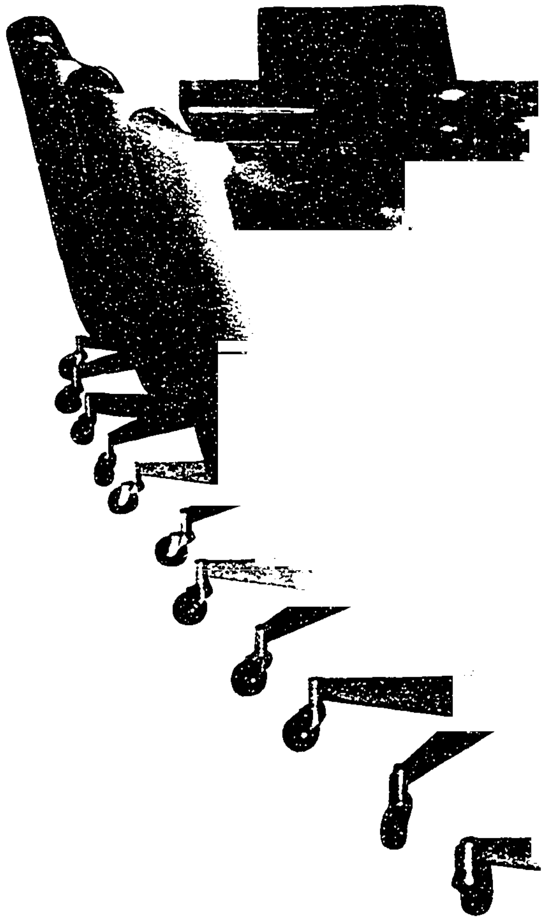
Richard L. Knowlton, 47, was elected by the Board of Directors to succeed Holton as president. He was also designated as the chief operating officer of the Company. Knowlton becomes the first Austin native to be elected president of the Company since Jay C. Hormel, son of the Company founder, became president in January, 1929.

Other executive appointments included the election of Raymond J. Asp, 51, group vice-president, Prepared Foods Group, and Lee D. Housewright, Jr., 58, group vice-president, Meat Products Group, to executive vice-presidents of the Company. William R. Hunter, 53, general manager of the Austin (Minn.) plant, was elected a group vice-president, appointed to the Executive Committee, and named to the Hormel Board of Directors.

Executive Committee

The cornerstone of the Company's management structure remains the Executive Committee. Representing every facet of day-to-day operations and administration, this group provides knowledgeable input and direction into planning and policy decisions. The Executive Committee is responsible for developing and implementing programs aimed at meeting the Company's growth objectives.

The appointment of Hunter to the Executive Committee raised to eight the number of top-level officers holding this important responsibility. This Committee of the Board of Directors is now comprised of Holton; Knowlton; Asp; Housewright; Hunter; Robert M. Gill, 54, vice-president, Personnel and Industrial Relations; E. C. Alsaker, 55, vice-president and treasurer, and Robert F. Potach, 56, vice-president and controller. It is this Committee which has the responsibility for initiating the Company's growth plans for the 1980's.



Non-Employee Directors

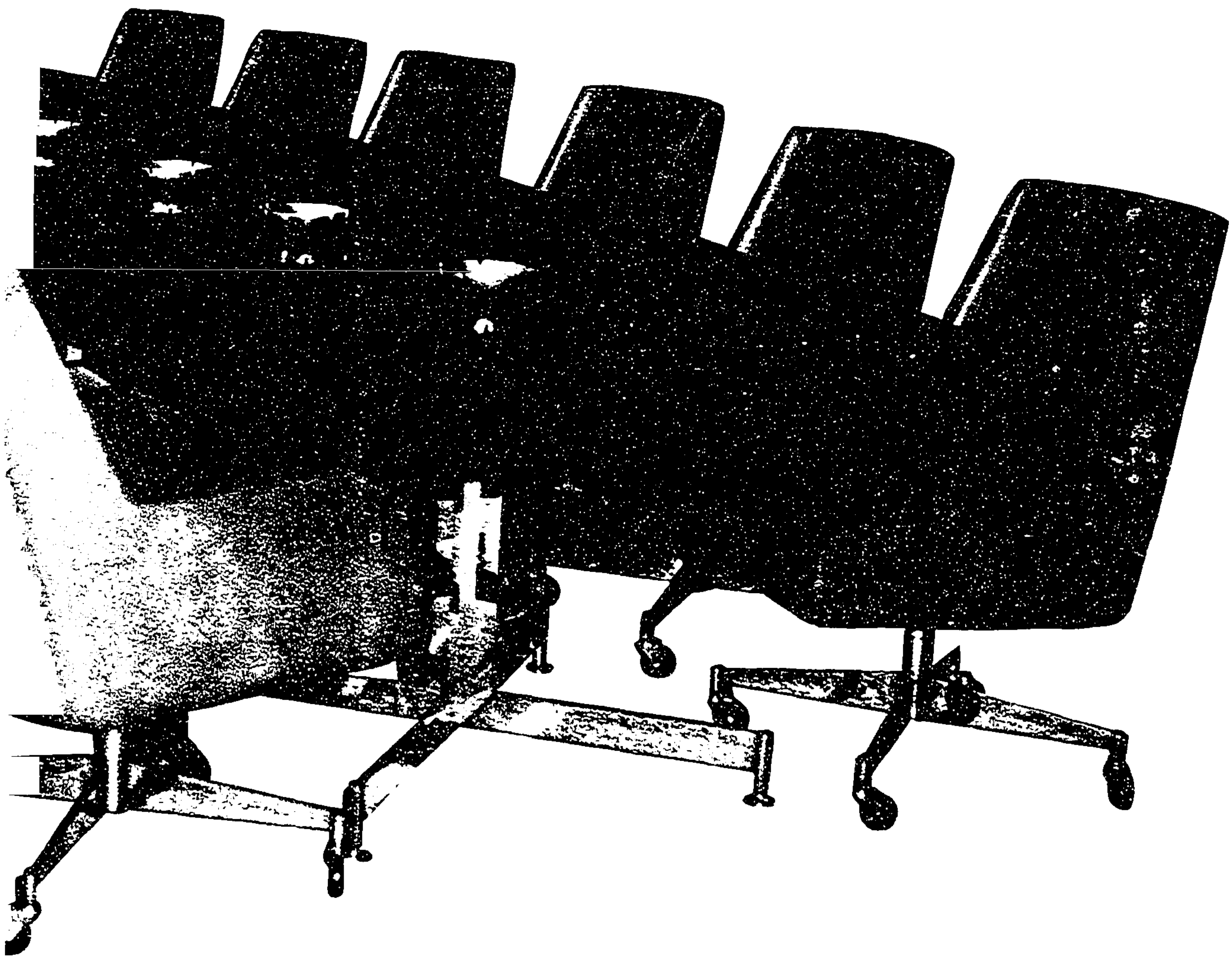
The corporation's management has the continuing benefits of the active, dedicated participation and the collective experience of its non-employee directors. Clarence G. Adamy, 62, Alexandria, Va., former president of the National Association of Food Chains, has been a Hormel director since January, 1977. Sherwood O. Berg, 60, Brookings, S.D., president of South Dakota State University, was first elected a member of the Board of Directors in June, 1969, resigned that position four years later to accept an assignment in Indonesia, and was re-elected to the Board in November, 1976. Donald R. Grangaard, 61, Minneapolis, Minn., chairman of the board and chief executive officer of First Bank System, Inc., has been a Board member since July, 1974.

A principle strength of the Company continues to be the varied backgrounds and expertise in agriculture, finance and public service that these outstanding people bring to the Company's Board.

Hormel People

It is not only in the top management positions that Hormel requires and seeks out excellent people. The Company strives to provide an atmosphere of individual appreciation, participation, challenge, further education, growth and opportunity. It has a tradition of promoting from within. All employees are selected and promoted without regard to race, color, religion, national origin and age.

The importance of people to the future of this Company cannot be overlooked. Some are planners — responsible for making the right decision at the right time. Some are doers — charged with putting the plans into action. Some work in offices Some work in plants. Some handle buying territories for the Company's raw materials. Others work in sales fields located throughout the U.S. But whatever and wherever the job, the greatest resource at Hormel continues to be its people, and that resource will be relied upon for the accomplishment of the goals of the organization.



The Year in Review

By all performance measurements, fiscal 1979 exceeded all previous years. Capping a decade of solid growth, it was the best all-around growth year in the Company's 88-year history.

This growth was evident in several important corporate indices — dollar sales, net income and earnings per share — all of which established new Company records. This, along with record working capital, net worth and book value per share, provides impetus for an organization which has further strengthened its already sound operating picture.

Encouraged with the past year's achievements and the opportunities that exist for continued improvement during the decade of the 80's, the Company is positioning itself to meet customers' requirements in its major markets.

Dollar Sales at All-Time High

The Company's record net sales continued its steady year-by-year climb. This sales trend was made possible by increased volumes of pork and processed products marketed during fiscal 1979. This more than offset the sales decline of lower-margined beef items, resulting in total dollar sales, after returns and allowances, of $1,414,016,000. This was an increase of 13.6 per cent from the previous year's record sales of $1,244,865,000.

It was the eighth consecutive year that the Company's annual sales had climbed to new record highs which, today, are more than double what they were at the start of this decade.

Net Earnings Highest in History

The Company's net earnings for the year ended October 27, 1979, were $30,612,000, or $6.37 per share, the highest in history. Net earnings for this past fiscal year were 52.8 per cent higher than 1978 fiscal net earnings of $20,039,000, or $4.17 per share, and 39.5 per cent higher than the previous earnings record of $21,951,000, or $4.57 per share, set in fiscal 1977.

Earnings for the year equaled approximately 2.16 cents on each sales dollar, compared to 1.61 cents in 1978.

The general level of earnings has moved appreciably higher over the past several years because of steps taken for improving current operations and preparing for planned future growth. It is important to note that the past year's gains were broadly based, with every major operating unit making a contribution to overall improvement. Partially by attaining a better balance among the various operating groups, it has been possible for the Company to reduce the influence of cyclic swings in hog supplies coming to market.

Capital Expenditures

The Company's long-term program of capital investments, which have totaled more than $100 million during the past five years, included expenditures of $27 million in 1979. This is the highest amount ever expended by the Company in one year's time to construct, expand or improve its physical facilities

The newly-completed Davenport (Iowa) gelatin manufacturing plant was the major investment project of the year. Significant expenditures were also made to expand Company production facilities at Knoxville, Iowa, Stockton, Calif., and Atlanta, Ga. Site preparation work for the new 1,000,000 square foot Austin (Minn.) replacement plant was also completed during fiscal 1979.

Capital expenditures for fiscal 1980 should reach $36 million, with a substantial increase over that amount expected for 1981.

Depreciation for the fiscal year was $12,102,000, an increase of $551,000 over the previous year.

Dividends Again Increased

Cash dividends on common stock were increased in February, 1979, from 34 cents per share to 37 cents per share, raising the dividend to $1.48 annually. Dividends paid and accrued during the fiscal year totaled $7,109,000.

After the close of fiscal 1979, the regular quarterly dividend was again increased, for the 12th consecutive year, effective February 15, 1980. The 13.5 per cent increase, from 37 cents per share to 42 cents per share, reflects not only the Company's strong performance during the year but favorable expectations for the future.

Geo. A. Hormel & Company has paid dividends for 51 consecutive years.

In other action following the close of fiscal 1979, the Board of Directors authorized a two-for-one split of the Company's common stock. This move is subject to approval of shareholders and will be voted upon at the Company's Annual Meeting to be held January 29, 1980, at the Austin (Minn.) High School Auditorium.

Pension Trusts

The Company's provision for current and past services under the Employee Pension Trusts amounted to $15,100,000 for the year. Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

Stockholders' investment was $190,373,000 on October 27, 1979, an increase of $23,503,000 over the prior year. The book value of the 4,803,258 shares of common stock outstanding was $39.63 per share.

Short-term Debt

The Company's strong financial position has supported issuance of commercial paper for short-term debt. This commercial paper is backed by lines of credit granted by the Company's banks.

Standard and Poor's Corporation upgraded the Company's paper rating to A-1, its highest rating, in 1979 Fitch's had previously provided an F-1 rating, also its highest rating. This means that the Company can borrow at relatively favorable rates of interest in the short-term market

Inflation and Interest Rates

As the Company closed the past fiscal year, inflation continued as the nation's No. 1 problem. Interest rates were hitting new highs daily. The Federal Reserve Bank had begun to restrict the growth in the money supply.

More and more people, both within and outside the government, are beginning to realize that productivity must be improved and government deficits eliminated if inflation is to be controlled. Although all evidence points to the continuation of recession for the near term, it is not expected to have a significant effect on the Company's business

New Labor Agreements

New labor agreements were successfully negotiated during 1979 by the Company and various local unions affiliated with the United Food and Commercial Workers International Union (AFL-CIO). These local unions represent the majority of the Company's production employees

The new agreements include wage increases totaling 60 cents per hour over the next three years, plus improved health care benefits and a pension plan which allows for full retirement after 30 years of service. The settlements are viewed by the Company to be in compliance with the Council on Wage and Price Stability guidelines. Hormel continues to enjoy good relationships with the local unions which represent many of its employees.

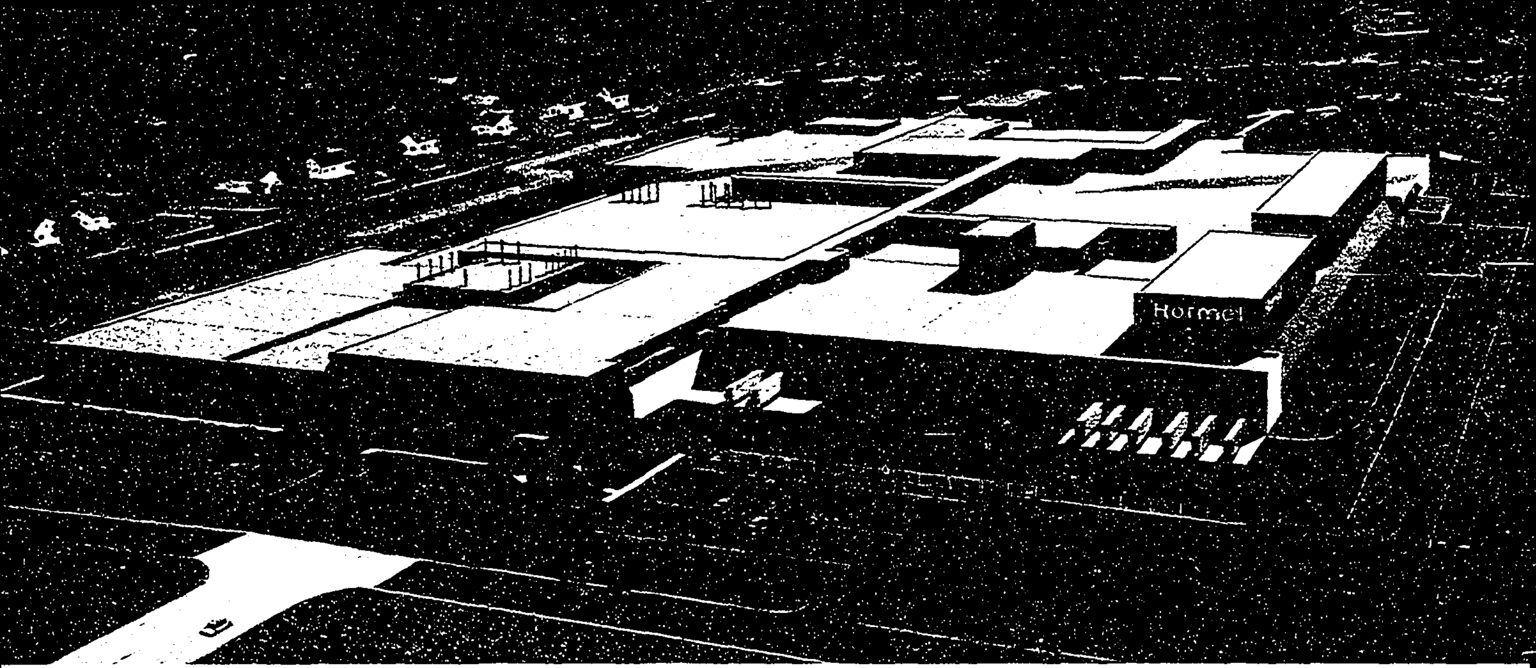
The Company took steps to ease the effects of inflation on retired employees when, in September, 1979, substantial improvements were made in the level of health care benefits they receive.

Livestock Projections

It is projected that the favorable availability of hogs will continue into the first half of 1980, improving progressively with as much as a 10 per cent increase anticipated in the second quarter. During the last half of fiscal 1980, somewhat fewer numbers relative to the huge supplies of the past year are expected to be available.

Beef supplies will continue to be less than satisfactory, approximating levels of the past year. While the number of slaughter cows coming to market will be slightly improved, fed cattle slaughter will be down during the first six months, increasing somewhat in the latter half of the year.

Looking ahead, there appears to be no let-up in consumer demand for the Company's branded, processed food products The corporation's many investments in the future during an achievement-filled year is expected to provide added strength and profitability in the years and decades ahead.


Hormel

Operations Group

The Operations Group completed fiscal 1979 in the midst of a substantial capital improvement and expansion program that has characterized much of the past decade. Emphasis continued on improving both productivity and operating efficiencies as record amounts of raw materials were purchased and manufacturing facilities utilized at near optimum levels.

As a result, significant progress was again made in achieving the performance levels that are necessary to continued improvement of the Operations Group's earnings picture. Construction of new labor and energy-efficient facilities and the modification or closing of less efficient units are expected to lead to more profitable Company operations.

The New Technology

The meat industry has undergone dramatic changes since the days when food processing plants were first built around the great terminal markets of densely-populated Midwestern cities. The huge, multi-storied inefficient plants of old have been replaced with a new generation of modern, single-story, regionally-located facilities. This type of plant, utilizing technology unheard of 10 years ago, has demonstrated its operational superiority.

The Company's Ottumwa (Iowa) hog slaughtering and food processing plant, now in its fourth year, and the Austin (Minn.) plant, now under construction, provide both past and current examples of capital investment programs that offer needed strength and stability to the corporation's overall operations.

The Ottumwa plant has already provided the Company with substantially greater production capacity with over 1,000,000 hogs slaughtered annually. Fully-cooked boneless hams, sliced bacon and a variety of fresh sausage items are also produced, enabling this newest Hormel facility to function as a prime supplier of Company processed, branded products and specialty fresh pork items.

These products are distributed primarily to major markets in the southwestern United States and to Hormel distribution plants in the West, Southwest and Southeast.

Photo Identification
Top Artist's rendition of Austin (Minn.) plant
Right Center Ottumwa (Iowa) plant
Left Center and Bottom: Beef and pork prepared this way have graced American tables for generations

Austin (Minn.) Plant

It is the long-awaited Austin plant, still in very early stages of construction, that is expected to be a much stronger factor in the improved earnings of the Company.

About one-fourth of the Company's total assets will be invested in its construction, most significantly the largest single capital investment project ever undertaken by Hormel. Located directly north of the existing Austin plant and covering 18½ acres on a 33-acre tract of land, this 1,000,000 square foot facility will rank as one of the newest, largest and most modern plants to be constructed in the food industry in recent years.

Although primarily a one-story structure, the proposed facility will consist of four levels, including a lower level or basement area, main floor, a mezzanine and loft area. The new plant is designed to handle the slaughtering and processing of 1,500,000 hogs annually and will continue to be the largest within the Hormel organization with production capabilities of over 200,000,000 pounds of product each year.

A very substantial pork operation in the Austin plant will enable Hormel to place further emphasis on the development and marketing of fresh meats. Facilities will also be provided for the production of smoked meats and fresh and prepared sausage items, dry sausage products and a complete line of canned meats.

The nationally-known smoked meats products to be produced in the new Austin plant include *Cure 81* ham, *Curemaster* ham, *Black Label* bacon, *Old Smokehouse* bacon, *Little Sizzlers* pork sausage and *Wranglers* smoked franks. A complete dry sausage operation will provide for the manufacture of *Di Lusso*, *Gran Valore* and *San Remo* genoa salamis, pepperoni, including *Pillow Pack* and *Leoni Brand*, and the "fresh-out-of-smoke" line, including *Old Smokehouse* thuringer, Cotto Salami, Viking Cervelat, Tangy Summer Sausage and Beefy Summer Sausage. The full line of Hormel summer sausages and thuringers will be produced as will bone-in and boneless prosciutti hams.

SPAM luncheon meat, *SPAM* smoke flavored and *SPAM* with cheese chunks luncheon meats, canned hams, including Black Label, Holiday Glaze and EXL, and bulk luncheon meats, Ham & Cheese Loaf, Chopped Pork, Chopped Ham, Spiced Ham, Spiced Luncheon Meat and Pork Tongue are the major product lines to be produced for the Company's Grocery Products Division.

When completed in mid-1982, several million dollars will be paid weekly to the region's farmers for hogs sold in Austin and at rural buying stations serving the new plant. The structure will have an employee force of more than 1,000 production people, plus an additional 195 who will work as foremen or superintendents or have administrative positions in the office area, resulting in an estimated annual payroll of $35,000,000 to the Austin community.

Search for Alternatives

A strong commitment to scientific investigations has been an important part of the Hormel tradition for many years. Company engineers and research people are constantly searching for new or improved technology that might improve the economics of production through the use of new raw materials, specially-designed equipment, packaging materials or better utilization of labor.

One potentially important process recently developed is an all-new hog skinning operation installed this fiscal year at the Company's Fremont (Neb.) plant. Hormel holds 11 patents on this newly-created system which has been designed to eliminate the traditional scalding tubs and shaving procedures used in hide removal.

This system is expected to increase efficiency and sanitation standards while also providing for improved labor, energy and space-saving features. Application of this innovative process appears to be so promising that similar installations are planned for the new Austin plant and at other Hormel hog slaughtering facilities as well.

Plant Closings

In another move designed to concentrate production in more cost-efficient plants, Hormel completed during fiscal 1979 its previously-announced plans to close the Mitchell (S.D.) hog slaughtering and processing plant. A combination of many economic factors — obsolescence of the plant structure itself, higher operating costs, increasing costs of meeting environmental and energy regulations, and reduced availability of hogs in the immediate area — resulted in the unprofitable operation of the plant. Hog slaughtering facilities in Austin, Ottumwa, Fremont and Fort Dodge (Iowa) will provide the Company with the raw materials needed for processing operations.

Hormel further reduced its beef slaughtering capacity in early 1980 with the closing of its Miami (Okla.) plant. The poor earnings performance of this plant was due primarily to the same restricted gross margins and sharply increased operating costs that had previously resulted in the discontinuance of beef operations at Company plants in both Austin and Fremont.

Service to the Farmer

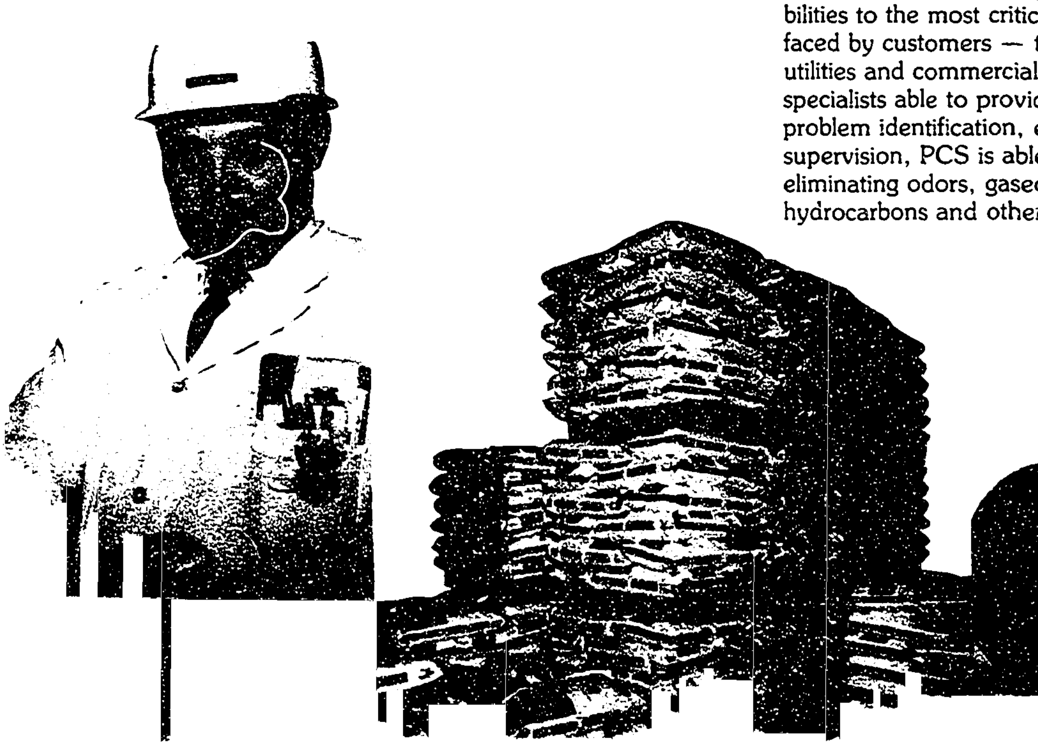
On the grain-rich farms of Mid-America, the country's greatest concentration of hogs are fed and marketed. Famed for flavor and tenderness, hogs from the Corn Belt states of Iowa, Nebraska, Minnesota and South Dakota have long been the standard by which pork is judged. It is in this great farmland that Hormel hog slaughtering and food processing plants are strategically located to bring buyers and producers closer together.

To the livestock producer, Hormel represents not only a reliable, convenient, year-round market for hogs, paying in excess of one-half billion dollars per year, but also a service-oriented organization deeply interested in the farmer's well-being and in the improvement of the meat-type hog. Service to the farmer is not just a vision; it involves a series of programs, clinics and courses on breeding, grading and proper care of swine, support of youth groups such as 4-H and Future Farmers of America, publication of the monthly *Hormel FARMER Magazine*, and sponsorship of the annual National Barrow Show and several other yearly market hog shows. Hormel also provides experts to assist with judging activities at county and state fairs and at livestock expositions.

Feed Division

The Company's new high energy *Enpac* feed program, introduced last year, represents still another area in which Hormel has demonstrated its ability to be of help to the farmer in improving the livestock which is so important to both.

The *Enpac* series is the newest pig starter program to be introduced to the swine industry in many years. It is a dry, pelleted feed designed to give maximum energy to young pigs, eliminating early weaning setbacks and pushing weight gains to desired levels.



Four different feeds are included in the series — Sow Lac Comp, Early Weaner, Pig Starter and Starter/Grower — and each have been balanced for protein, amino acids, minerals, vitamins and energy. Introduced after two years of development and testing at the Hormel Experimental Farm, the *Enpac* feeds have since proven successful in attaining a higher survival rate for newborn pigs, plus noticeable improvements in rate of gain and overall feed efficiency.

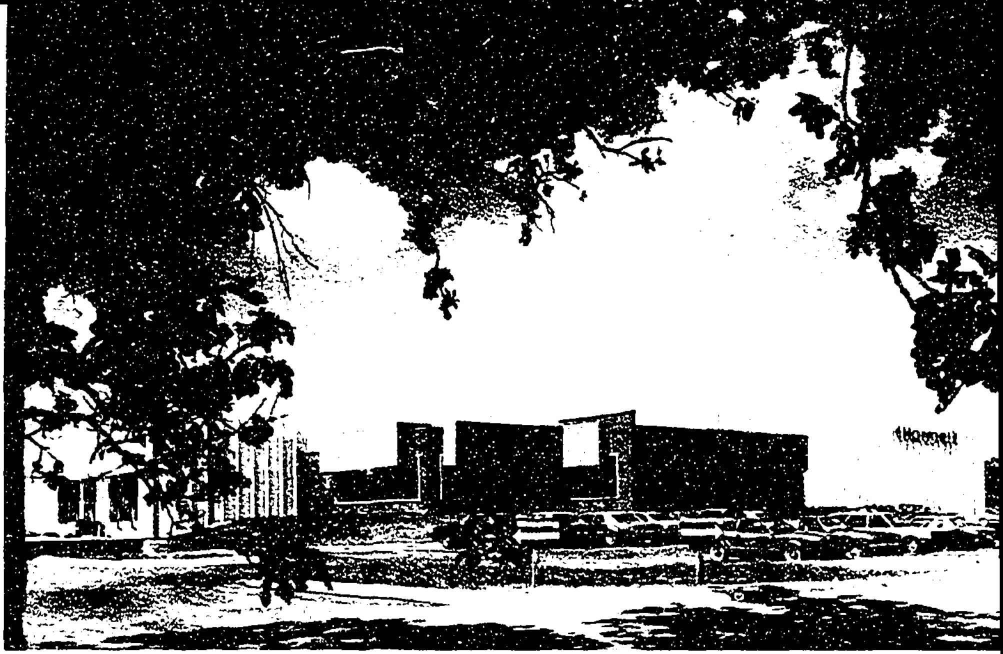
Pollution Control Companies

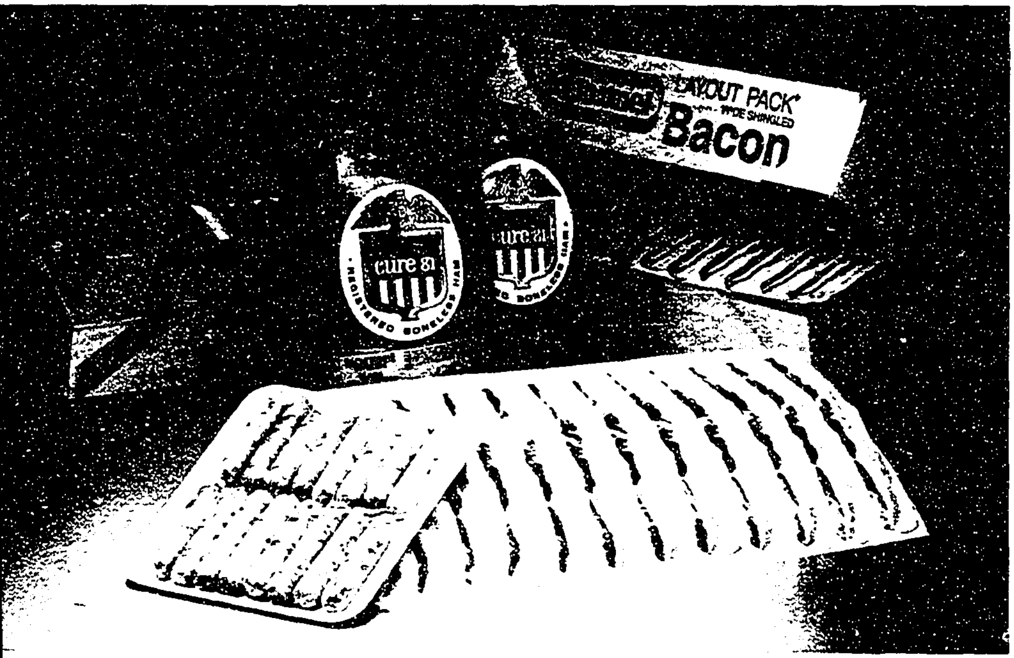
The Company's Environmental Pollution Control Division (EPCO) moved during fiscal 1979 to strengthen its position as a supplier of water and wastewater treatment systems. The increasing demands for protection of water resources and for an end to pollution of lakes and rivers is providing EPCO with its strongest opportunity yet to become a viable factor in the important water treatment and reclamation market.

Efforts are continuing to be focused on the development and marketing of the rotating biological surface (RBS) process which EPCO engineers and technical staff people believe to be more effective and less costly than the trickling filter or activated sludge systems. During the past year, considerable emphasis was directed to a redesign of the polyethylene discs and shaft used in handling the organic waste loads of municipal and industrial users. The improved process offers greater surface exposure, lower energy input, improved reliability and reduced maintenance.

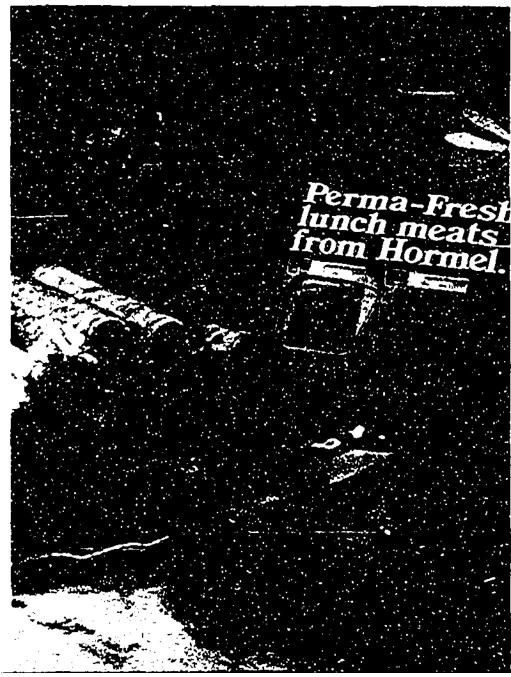
Engineering services and equipment installations are being developed for other food processors, sewage treatment facilities, steel and mining industries, chemical and petrochemical firms and paint and automotive plants.

The Pollution Control Systems Division is applying its established technological and engineering capabilities to the most critical air pollution problems faced by customers — those in heavy industry, public utilities and commercial institutions. With a staff of specialists able to provide consulting services for problem identification, engineering and installation supervision, PCS is able to design systems capable of eliminating odors, gaseous emissions, carcinogenic hydrocarbons and other pollutants from the air.




LAYOUT PACK
Bacon
cure 81
cure 81


Hormel
Black Label
Bacon


Perma-Fresh
lunch meats
from Hormel.


COCKTAIL
SMOKIE
CHEEZERS
Hormel
Cocktail
Wieners

Meat Products Group

The continuous emphasis on product quality — and the commitment to back up product strengths with vigorous marketing programs — enabled the Meat Products Group to end fiscal 1979 with an all-time record high in dollar sales. The year's impressive performance was built upon substantial gains in nearly every part of the Meat Products Group — Route Car Sales, Distribution Plant Division, and the Dry Sausage Division — resulting in records that surpassed last year's operating figures.

Historically, several features bring distinctiveness to the Hormel tradition of which the Meat Products Group is a major segment. Foremost has been the emphasis on quality, from the selection of raw materials to production technology and severe quality control standards. This emphasis has enabled many well-known products — *Cure 81* ham, *Little Sizzlers* pork sausage, *Wranglers* smoked franks, *Di Lusso* genoa and *Hormel* pepperoni — to obtain leadership positions in most of their market categories.

Marketing and distribution strengths and an active new product program are other important factors which contributed to sustained growth recorded by the Meat Products Group in fiscal 1979 and during the 1970-79 period. With demand continuing on the upswing and market share strong, the Meat Products Group can confidently look to the next decade as one that should provide continued operating achievements.

New Product Introductions

New product momentum was established early in the fiscal year with the successful introduction of several processed meat products and the expansion into national distribution of additional items marketed in late 1978.

Cocktail Wieners and Cocktail Smokie Cheezers followed closely the introduction two years ago of Cocktail Smokies which, at that time, represented the Company's initial entry into an entirely new product category. All three items quickly gained acceptance in this expanding market area and continued to show overall growth during the past year.

Photo Identification
Top Left Deli operations offer continued growth potential for the Company
Top Right Knoxville (Iowa) dry sausage plant was enlarged by nearly 20 per cent
Center and Bottom Branded products that have become consumer favorites

Sold in 10-pound bulk cartons only, the airline industry is but one of many institutional accounts who have recognized the many advantages this line of cocktail items has to offer, including its versatility (used as a breakfast sausage or snack item), convenience and value. Retailers and deli operators are other major users of the Company's cocktail sausages which are "repacked" into ½- or 1-lb. consumer-size vacuum-sealed packages and then sold over-the-counter for use as a snack, brunch or breakfast item.

The introduction in late 1978 of Smoked Cooked Ham contributed significantly to the improved sales performance of the Company's Perma Fresh luncheon meat line. This product addition, after just one year in the marketplace, demonstrated strong growth potential by challenging two long-time favorites, Black Peppered Ham and Red Peppered Ham, as the top-selling item in this luncheon meat category.

A continuation of the very successful *"Ham it Up!"* marketing and promotional campaign also contributed to the combined sales growth of six different luncheon meat items. Cooked Ham, Chopped Ham, Red Peppered Ham, Black Peppered Ham, Ham and Cheese and Smoked Cooked Ham were the meal varieties Hormel used in stressing its reputation as a quality manufacturer of processed ham products.

Buoyed by the good growth of these six items and, particularly, the sales pace established by Smoked Cooked Ham, Hormel has since introduced three new products — Honey Loaf, Pepper Loaf, and Pastrami Flavored Loaf. These latest additions raises to 27 the number of products and the variety of sizes (4-oz., 6-oz., and 8-oz.) that are available through the Perma Fresh luncheon meat line.

From Institutional to Retail

Midget Link and Country Brand Link pork sausages, two products originally formulated and packaged for the food service trade, again enjoyed significant volume gains, prompting the Meat Products Group to place both items into retail distribution.

As an institutional product, Midget Links are conveniently packaged in styrofoam trays, 16 links per one-pound tray, six trays per case, while Country Brand Links are packed in 2-oz. portions, either 12 links per one- and one-half pound tray, four trays per case, or six links per one-pound tray, eight trays per case.

Now available in attractive, handy-size retail packages, complete with helpful microwave oven cooking instructions on the back side, Midget Links are sold eight to a package; Country Brand Links five to a package. Both breakfast sausages continue as important entrees for food service accounts, but their versatility in usage is likewise appealing to today's homemakers, thus providing Hormel with good growth opportunities, much of it a result of the products' extension into the burgeoning retail trade.

Other new product development activities during fiscal 1979 resulted in the introduction of Smoked Sausage and Kielbase Polish Sausage — both fully-cooked, skinless products. Each is marketed three links per one-pound in a vacuum-packed package. Extensive print media advertisements and in-store point-of-purchase materials are being developed to describe the mealtime versatility these products have to offer.

Advertising and Marketing

The Meat Products Group maintains close contact with the retail food store and the consumer through its sales representatives who have responsibility for implementing the marketing programs created for each product.

Although Hormel processed meat products are sold side-by-side in the grocers' frozen or refrigerated meat cases, each has its own market with which to meet unique consumer needs and desires. The marketing leadership is provided by teams of specialists assigned to specific product lines within the Meat Products Group. These people, in turn, work with the Company's advertising agency to develop the necessary programs required to meet each product's sales objectives.

The operating achievement of the Meat Products Group during the past fiscal year is not solely the result of offering excellent products. It is the result of backing those products with skills in marketing and advertising. Hormel supports its nationwide marketing programs with network television commercials, advertising in popular general women's magazines and in large metropolitan area newspapers, radio spots and point-of-purchase display materials. The cumulative effect of all these efforts is to reach a broad spectrum of the marketplace with greater frequency, bringing to the American homemaker an awareness of the products made available through the Meat Products Group.

Institutional Sales

As reported elsewhere, the food service industry is an area of major growth potential for the Company. Food marketing in recent years has been characterized by a remarkable surge in away-from-the-home eating. This growth reflects a steady shift of the U.S. food dollar from supermarket to restaurant.

In addition to the Company's hot food vending, frozen entree and portion-control frozen meats, the Meat Products Group also has a full line of quality products for the food service trade. Ranging from smoked meats, fresh pork sausage, sliced bacon and wieners to hams, dry sausage, portion-control steaks, margarines and oils, the Meat Products Group continues to intensify its efforts directed to becoming a broadline supplier to hotels, restaurants, fast-food chains, airlines, schools and other institutions.

Layout Pack wide shingled bacon and the *Cure 81* ham continue to be among the most widely-recognized and best-known brand names in the institutional field. As a result, they account for a sizable portion of the total sales volume generated each year through the Company's nationwide food service business.

Another important step in the continuing development of this market was the introduction in 1979 of the *Full Menu* institutional boneless ham. Intended not as a replacement for the *Cure 81* but as a great selling companion, the *Full Menu* ham provides food service operators with consistent quality, lower unit cost and high yields. Still another attractive feature is its versatility for almost any meal situation, whether as thick breakfast slices, wafer-sliced for sandwiches, or as juicy ham steak dinners.

Developments are continuing on new products and packaging innovations that appeal to major food service chains. One such product, Pork Cube Steak, has recently been introduced for sale to food service customers. Available in 6-oz. portions, it is bulk-packed 26 pieces per case.

All these specially-designed products are widely-advertised in food trade publications and promoted through trade shows.

Food Service Reorganization

Late in the fiscal year, Hormel announced the reorganization of the Company's food service operations within the Prepared Foods Group and the institutional sales activities of the Meat Products Group. The combined functions were merged, resulting in a new Food Service Division which is now operating as part of the Meat Products Group.

This consolidation will enable the Company to optimize sales, marketing and production efficiencies, thus achieving greater effectiveness and enhancing planned growth objectives. This structuring also provides a strong cohesive base from which Hormel is better able to concentrate on the production and distribution of both new and well-established food products to all commercial and institutional users.

As part of the restructuring, the new organization now includes a food service director, national sales manager and two regional sales managers; one with responsibility for distribution plant sales, the other handling Route Car, or direct, sales functions.

The marketing manager and managers of the Company's Oklahoma City, Okla., and Hopkins, Minn., food service plants share responsibilities for strengthening the broad line of Hormel processed products, frozen entrees and chopped and formed products.

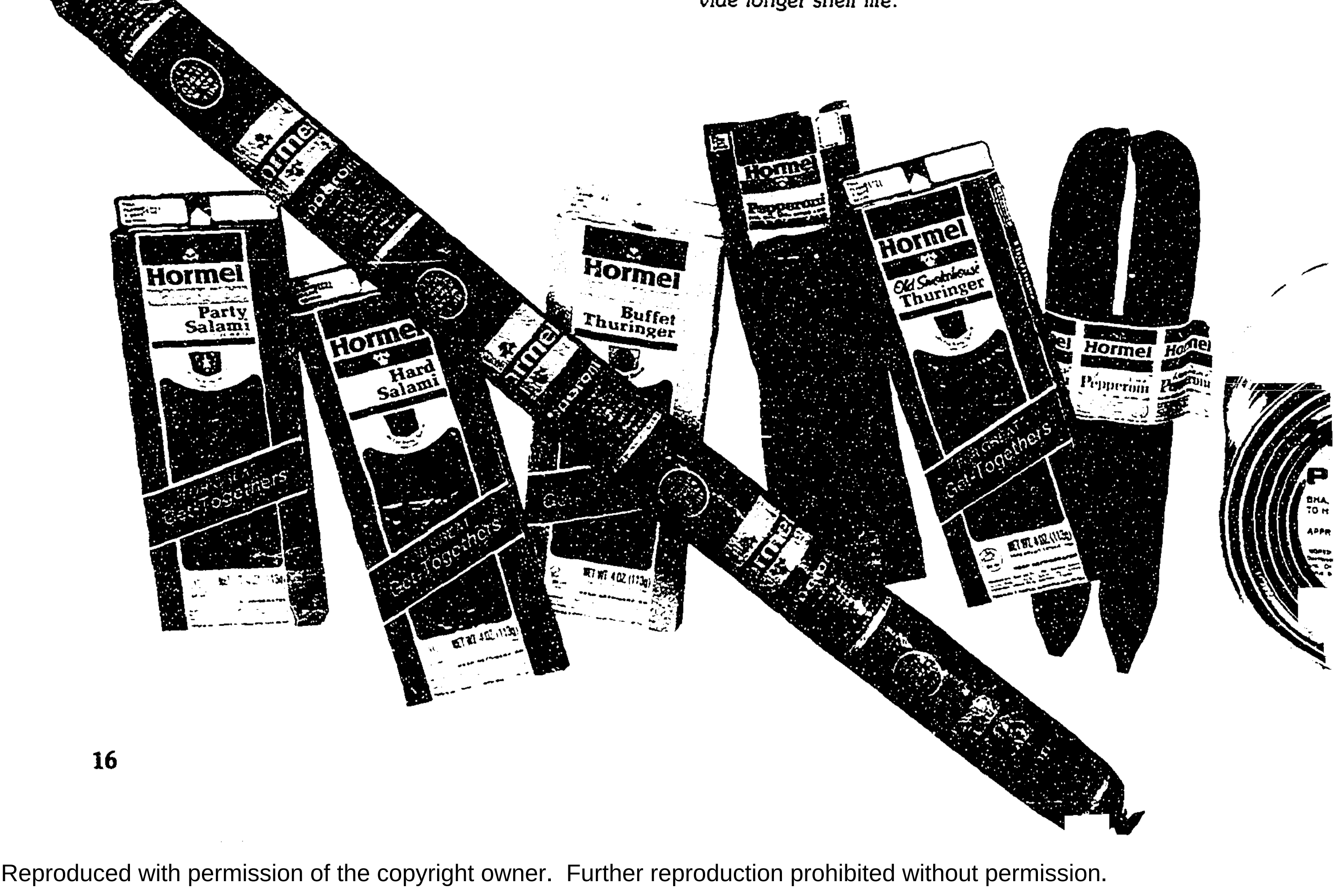
Dry Sausage Division

Contributing to the performance of the Meat Products Group in 1979 was the pattern of growth continued by *Pillow Pack* pepperoni. Introduced two years ago in a three-pound vacuum pouch, *Pillow Pack* pepperoni distribution has expanded substantially among pizzerias and supermarkets having their own in-store bakery or delicatessen operation.

Responding to retail trade wishes is not a new phenomenon for Hormel. Innovative packaging techniques, such as *Pillow Pack*, have assumed an important role in the marketing of food products.

The air-tight, vacuum-sealed *Pillow Pack* package offers institutional accounts maximum protection of freshness and flavor, plus greater convenience. Other selling features include excellent portion control, reduced labor costs, consistent uniformity and very high yields with no product waste.

Multivac packaging of *Hormel* hard salami and the newly-introduced deli-style *Old Smokehouse* thuringer exemplifies once again a major Company priority — to protect the quality and flavor of Hormel products from the time they are manufactured to the moment the consumer is ready to use them. Until 1979, Hormel had offered *Old Smokehouse* thuringer in bulk form only. With the Multivac packaging process, this gourmet product is now available in half-piece, vacuum-sealed packages which lock in full flavor and freshness, preserve color, eliminate product shrinkage and provide longer shelf life.



The two half pieces are then packed in a single box and sold to deli accounts seeking an easy-to-handle "smokehouse fresh" thuringer product.

Hormel Get-Togethers

An entirely new marketing concept, entitled *"Great Get-Togethers,"* was developed during fiscal 1979 as a means of capitalizing on the increased deli meat consumption at both the service delicatessen and self-service sections of the supermarket. Involving six sausage favorites — *Di Lusso* genoa, *Old Smokehouse* thuringer, and *Hormel* Party Salami, Buffet Thuringer, Hard Salami and Pepperoni — new packaging and advertising techniques were introduced to encourage increased distribution of the Company's entire presliced deli meats line.

The package design consists of an eye-catching, colorful new banner and illustrated recipe suggestions that are designed to help build consumer awareness of each product's usage and versatility. Rail cards, shelf talkers, special dry sausage display racks and attention-getting advertising slicks are the merchandising tools used to increase market penetration and consumer acceptance.

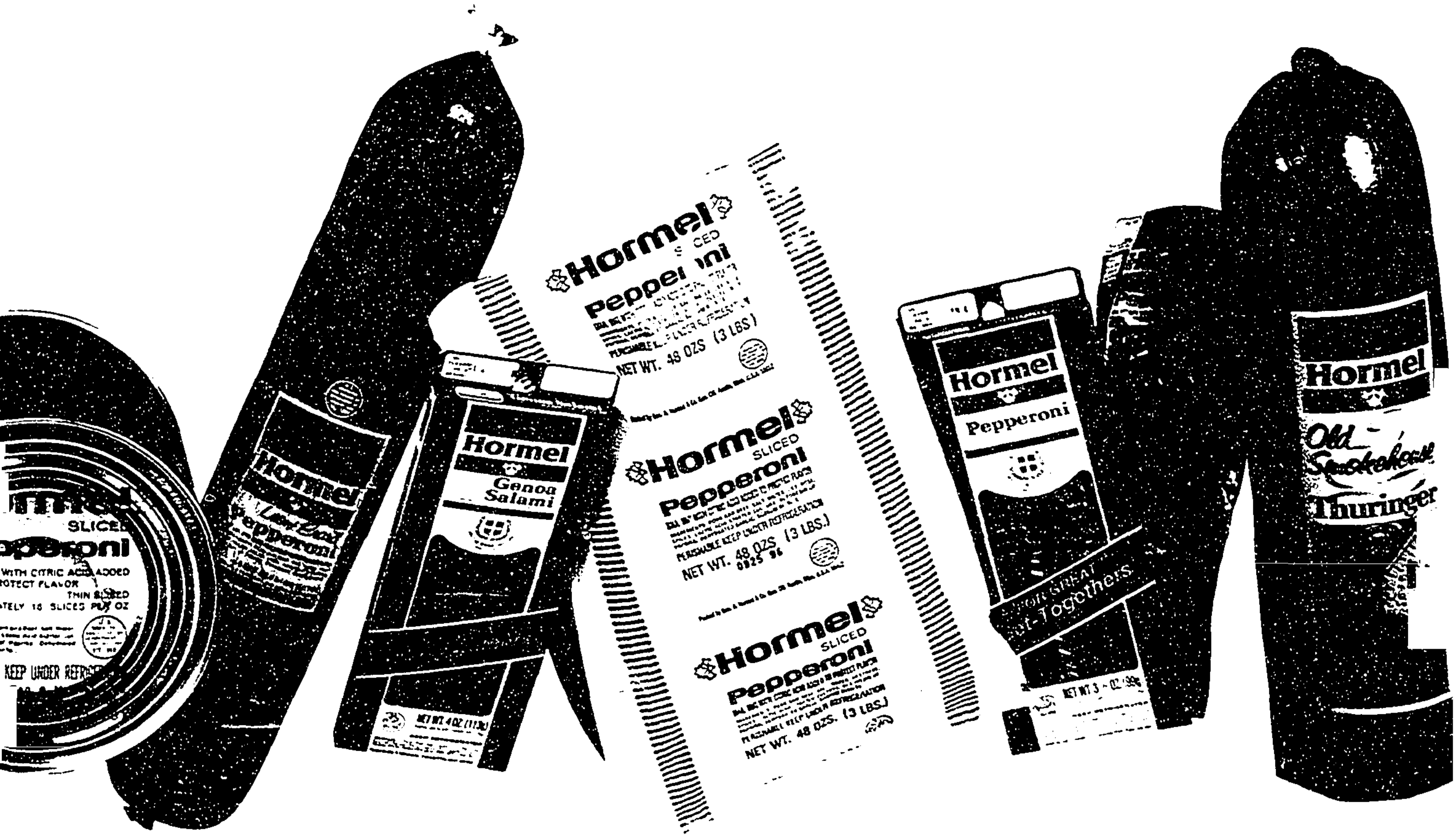
Capital Additions

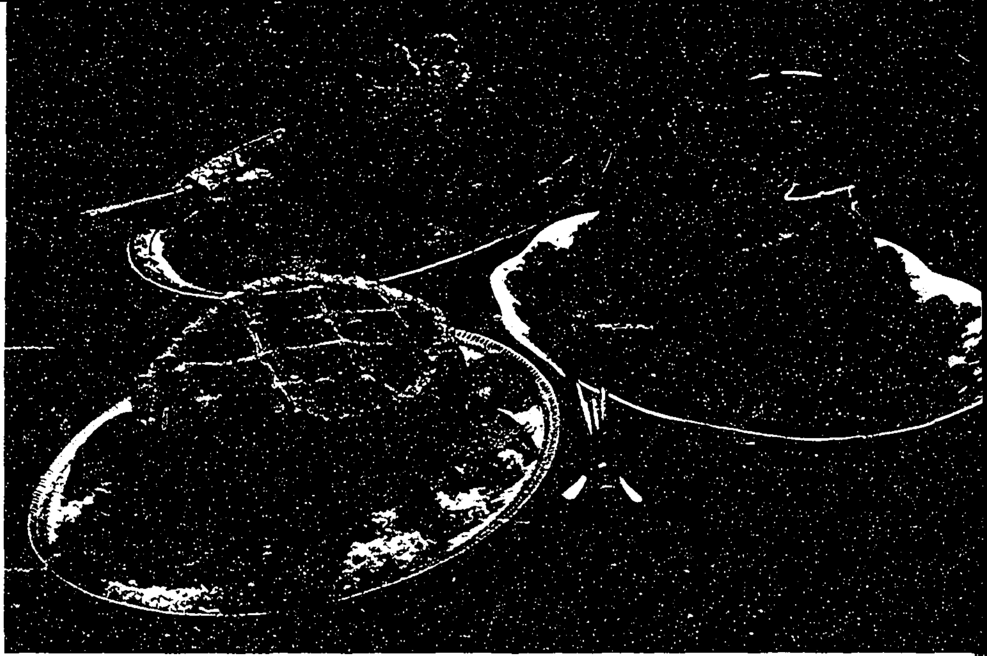
In Knoxville, Iowa, the Company's dry sausage manufacturing plant was enlarged by nearly 20 per cent. A 21,000 square foot addition was constructed which increased the size of this facility, opened just two years ago, to more than 130,000 square feet.

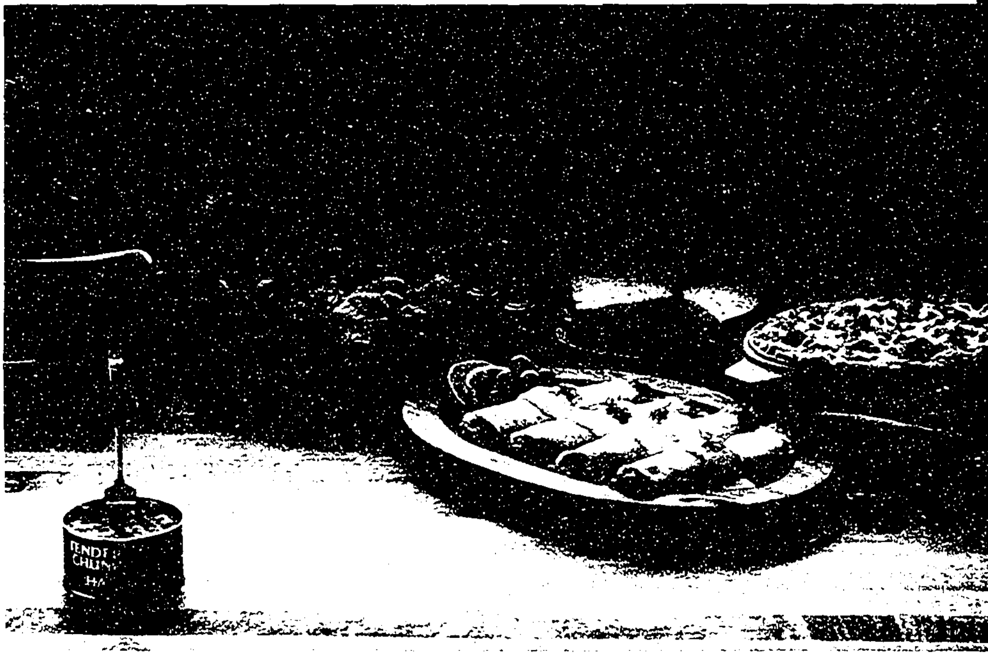
Expanded drying rooms and additional processing ovens and packaging facilities provide for increased production of several of the Company's popular dry sausage products, including *Hormel* hard salami, *Hormel* National salami and *Burgermeister* brand salami.

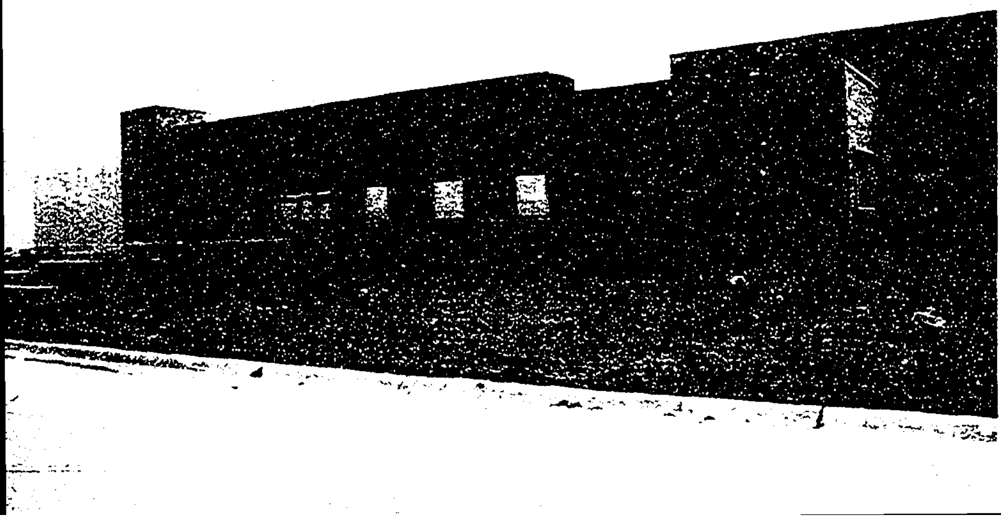
Near the end of the fiscal year, construction began on a 110,000 square foot dry sausage addition to the Ottumwa (Iowa) hog slaughtering and food processing plant which was opened in 1976. Production operations will be included for *Di Lusso* genoa and other Italian-type salamis and prosciutti hams.

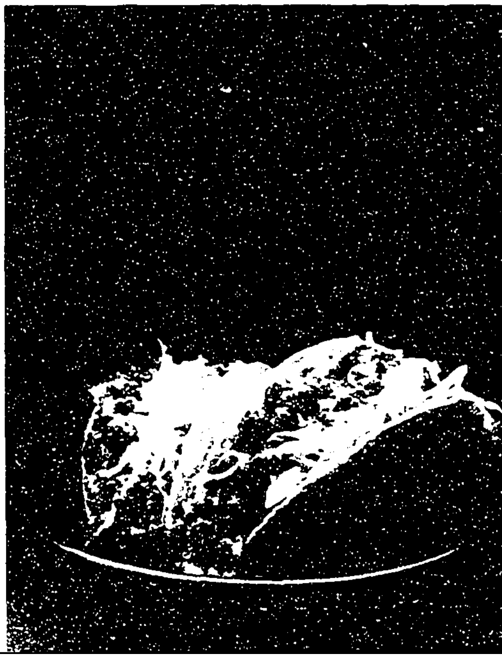
Additional processing ovens and construction of expanded cooler space will provide greater capacity for processing of *Cure 81* hams while new equipment installation in the existing smoked meats area will initiate production of the Company's new line of microwave oven products, including precooked bacon and sausage items.











Prepared Foods Group

Fiscal year 1979 ended a decade of growth and expansion for the Prepared Foods Group. The strategies of the past 10 years have been to strengthen established product lines (*SPAM* luncheon meat, *Hormel* chili, *Dinty Moore* beef stew) and to introduce a continuing flow of new products (*Tender Chunk* ham, turkey, and chicken and *Hormel* ham patties, for example) which have complemented still other additions in the Company's frozen food, frozen entree, vending and portion-control, gelatin dessert, pudding and soft drink mix product lines.

These strategies have served the Prepared Foods Group well. Whether measured in terms of financial performance or marketing achievements, yearly results of the Grocery Products Division, Food Service Division, and Industrial Products Division during the decade of the 70's have provided the Company with a strong base for future growth.

New Product Development

In fiscal 1979, the intensive new product activity of the Prepared Foods Group was directed primarily to capitalizing upon the consumer's growing desire for a broader selection of convenience foods. Two such products — *Hormel* roast beef and *Hormel* corned beef — were introduced last summer into selected U.S. test markets.

Sold in 12-oz. cans, the products offer consumers ease of preparation and mealtime versatility when used as an ingredient with breakfast eggs, lunchtime sandwiches, or for easy, something-different suppers. Supporting these product introductions are recipes and serving suggestions reproduced on the back side of each can. Through experience, Hormel has learned that consumers appreciate and rely upon this helpful information.

Another newcomer, *Hormel* chili beans, is a product which was developed for the American housewife who prefers to make chili at home. The canned chili market has grown more than 10 per cent in the past two years. Ever-increasing numbers of U.S. families are buying and trying chili products. Despite this growth, research studies indicate the presence of an even bigger market for "make-at-home" chili products.

Photo Identification·
Left Center Stockton (Calif.) canning plant
Bottom Left Davenport (Iowa) gelatin manufacturing plant.
Top, Middle and Right Center and Bottom Right Diversified product lines of the Prepared Foods Group

Hormel chili beans fills that consumer need. Promoted and merchandised as being *"The Start of Something Great,"* this product offers homemakers the same full-flavored beans and mild spices that are used in the production of the very popular *Hormel* chili line. Homemakers merely add their own exclusive blend of tender meat chunks and slices of celery, tomato and onions to create that just right flavor needed to satisfy the taste buds of individual family members.

Just recently introduced in limited test markets are *Hormel* bacon bits. Produced at the Company's Beloit (Wis.) canning plant, this product consists of 100 per cent real bacon. It is packed in a convenient 3-oz. jar that does not require refrigeration until opened.

Hormel bacon bits have an almost unlimited number of uses as an ingredient in scrambled eggs or omelets, in Hot German or regular potato salad, in tossed or cottage cheese salads, as a condiment with baked, stuffed or scalloped potatoes, as a pizza topping, or mixed with dips, casseroles, pancakes, waffles or muffins. The strength of the *Hormel* brand with its reputation for quality is expected to stimulate the Company's entry into this growing product category.

Other retail food products which made their appearance or expanded into additional markets in 1979 included Creamed Dried Beef and Pork Chow Mein. Both are additions to the Company's 7½-oz. *Short Orders* line. Marketed under the *Hormel, Dinty Moore* and *Mary Kitchen* brands, this family of products, now numbering 25, are proving particularly popular with singles, teenagers, students and retired families desiring quality, variety and ease of preparation.

Four other products — Creamed Chicken, Creamed Turkey, German Potato Salad and Chicken Chow Mein — are scheduled for test market introduction in 1980.

Improved Products

Technology flows from one part of the organization to another as the Company's products are formulated and manufactured to meet identified consumer needs and desires. Each year, demands in the marketplace change as consumers seek products with higher quality, in greater variety, and more convenience.

Product improvements, supported by strong advertising and promotion programs, are expected to strengthen the market share of *Deviled SPAM* luncheon meat and the *Hormel Black Label* ham. The new formulation of

Deviled SPAM has resulted in a markedly improved ham-like flavor, a change expected to encourage homemakers to use this product increasingly in dips and spreads, on hors d'oeuvre platters and with scrambled eggs.

The *Black Label* ham is a fitting example of the Company's effort to develop upgraded, added-value processed products which meet specific consumer appeals. Trimmed, boned and fully-cooked, the *Black Label* is now being positioned in the canned ham market as a consistently uniform quality product offering consumers leanness and meatiness with very little waste. Aggressive and innovative marketing programs, stressing how these products can be combined with other foods to serve the consumer's needs and those of her family, are directed primarily at reinforcing a strong turnaround of these two long-time Hormel products.

The Changing Marketplace

Because of the ever-changing marketplace, Hormel is committed to recognizing quickly new growth opportunities and then capitalizing upon them. One significant shift within the food industry in recent years has been the growing trend away from traditional family eating patterns.

The American family, which included a working husband, his wife and homemaker, and their young children, is being replaced to a degree with couples without children, more young adults and more elderly persons living alone, and the working woman. This social trend has prompted a need for food products that are available in small family portions or in single serving sizes. *SPAM* luncheon meat, in the 7-oz. size, is one product continuing to meet with widespread consumer acceptance among these smaller household groups. As a result, capital expenditures during the year focused on the start-up of new 7-oz. size manufacturing facilities at the Company's Fremont (Neb.) plant. This new installation, along with existing "singles-size" *SPAM* luncheon meat facilities at the Fort Dodge (Iowa) plant, will enable Hormel to show continued strong gains in volume while satisfying the increasing needs of today's smaller families.

The 12-oz. *SPAM* luncheon meat was the subject of a recent front-page feature article in the *Wall Street Journal*. It's doubtful that any other product marketed nationally today has attained the sales history, consumer popularity or recognition that is enjoyed by the Company's full line of *SPAM* luncheon meats. It is estimated that *SPAM* enjoys a substantial share of the $187 million canned luncheon meat market with in excess of 100 million pounds sold worldwide last year.

The creative use of advertising techniques and media has long contributed to the success of *SPAM* luncheon meat sales and marketing programs. In fiscal 1980, an innovative promotional campaign will emphasize the international reputation this product enjoys, offering kitchen-tested serving suggestions from homemakers in Mexico, Japan, and Britain. *SPAM's* reputation for satisfaction continues to be based, to a large extent, on service-oriented advertising that shows the housewife how to prepare interesting and varied meals.

Advertising and Promotion

Dinty Moore beef stew and the Company's diversified line of *Hormel* chili products (hot or regular, with beans or without) have earned and held consumer loyalty for generations. The high-quality image of these products continued to be a factor which favorably influenced sales in the year just concluded. Once again, these popular branded products (both continued as the nation's No. 1 in their respective categories) held or improved upon their own share of the market.

A new 30-second television commercial, greater national magazine advertising, and more in-store promotions comprise the merchandising program designed to broaden distribution of *Dinty Moore* beef stew. The sales gains anticipated from this promotional effort are expected to reaffirm the belief that expanded distribution of established products represents one of several important growth areas for the Company.

Hormel chili, the nation's leading canned chili product, attained record sales during fiscal 1979 while increasing market share over its nearest competitor. A new 30-second commercial built around the theme, *"Taste's like Homemade,"* will appear on daytime and nighttime television network shows and in women's service magazines (*McCall's, Good Housekeeping, Woman's Day,* etc.) as Company efforts are directed to expanding still further the leadership position of this consumer-preferred product.

Capital Expenditures

Overall renovation of the Company's Stockton (Calif.) canning plant, acquired in 1978, has been completed with the construction of a 28,500 square foot warehouse area, 15,360 square foot cooler/freezer and dry storage receiving addition, and 13,400 square foot office and welfare facility. These additions, raising the plant's physical size to 125,400 square feet, will provide needed production capacities for *Dinty Moore* beef stew, *Hormel* chili, *Hormel* tamales and *Mary Kitchen* corned beef hash, thus improving the Company's ability to serve growing West Coast markets.

Still another phase of the Stockton modernization program involves equipment installation and facility renovation in the filling, cooking and packaging areas. This capital improvement is scheduled for fiscal 1980-81.

New technology will also be applied in the installation this year of a retort pouch production and packaging line at the Beloit canning plant.

Ho...el entered the retort pouch market, a newly-developed flexible package that requires no refrigeration, in mid-1978 with a product line for the outdoor recreational market. Produced in 3- to 5-oz. servings, the current ready-to-eat product line consists of such products as meatballs and sauce, chicken ala king, ham patties, frankfurters and beef stew.

The retort pouch line at Beloit will allow the Company to continue efforts directed to research and test marketing of this innovative new food package.

Frozen Foods Line

The Company's dedication to the consumer blends well with its objective of capitalizing on food opportunities that afford the best marketing possibilities and the highest potential for growth. One of the fastest-growing segments is the frozen foods category which is rising at the rate of about seven per cent annually.

Hormel has responded to the multi-billion dollar frozen foods market with an extended line of its burritos products. Hot Chili Burritos and Chicken and Rice Burritos are the latest additions, joining two established favorites — Cheese Burritos and Beef Burritos. Packed four to a box, the Company's burritos line is ready to heat and serve for snacks, for quick lunches, or full dinners.

Other products marketed through the grocers' frozen or refrigerated meat cases include *Tater Dogs* batter-wrapped wieners, Corn Dogs, Breaded Beef, Pork and Veal Steaks, and Char Beef Steaks and Patties.

Food Service Division

Since most Americans eat at least one meal a day outside their homes, the food service market is growing at a rapid pace with annual sales estimated at more than $100 billion. The Company continues to concentrate on the production and distribution of food products to fill the needs and buying criteria of this diverse market, which includes restaurants, hotels, hospitals, industrial cafeterias, schools, airlines and vending machine operators.

Two new items — Stuffed Peppers and Stuffed Cabbage Rolls — were introduced during the year, bringing to 42 the number of frozen entrees now distributed nationally. Both are marketed in "dry pack" form, allowing the food service operator to add his own special sauce for selected flavor.

In the portion-control frozen meats line, 83 different uncooked or precooked, unbreaded or breaded products are now produced. Pizza Patty with Tomato Sauce and Cheese is the newest addition. The hot food vending line, now numbering 27, is sold to vending and mobile catering markets nationwide, offering the Company other opportunities for expansion and growth within the food away-from-the-home market.

Industrial Products Division

Production operations began in late 1979 at the Company's multi-million dollar gelatin manufacturing plant in Davenport, Iowa.

Covering 31 acres, the 100,000 square foot plant is now producing pharmaceutical and food grade gelatin, along with specialized protein products and other items. Gelatin manufactured in Davenport will be used as an ingredient in a variety of products, including pharmaceutical capsules, dessert, pudding and cocoa mixes, marshmallows, canned hams, soup and drink mixes, protein supplements for diets, plus photographic film coatings, carbonless business paper, dish detergents and shampoos.

The new plant has an annual capacity of 15,000,000 pounds of bulk coarse gelatin and a future capacity of 3,000,000 pounds of liquid collagen protein. In addition, Hormel will maintain its present gelatin dessert and spice formulation manufacturing facilities in Austin, Minn.

International Operations

The Company continues to have a modest, but meaningful involvement in international operations. The activities conducted under the umbrella of the Hormel International Corporation include imports, exports, joint ventures and licensing arrangements, and consists of the following operations:

Vista International Packaging, Inc., with attractive facilities in Kenosha, Wis., imports sausage casings from various overseas countries and sells them in the U.S. market. The export business is handled by Hormel World Trade, Inc., headquartered in New York City, which sells Hormel products to more than 60 countries throughout the world.

The Company's joint ventures abroad include half ownership in First Enterprise, Ltd., in Okinawa and Stefanutti Hormel, S.A., in the Dominican Republic, as well as a 20 per cent holding in Pure Foods Corporation in the Philippines. Each joint venture involves agreements providing for technical assistance and the use of Hormel trademarks.

Additionally, Hormel has licensed the use of certain of its important trademarks to Blayney Meat Products Pty. Ltd., a member of the Huttons Group in Australia, and has licensed the trademark *SPAM* in England to Lovell & Christmas (Northern) Ltd.

Officers and Directors

I. J. Holton, Austin
Chairman of the Board
Chief Executive Officer
Director since February, 1961

R. L. Knowlton, Austin
President
Chief Operating Officer
Director since September, 1974

Raymond J. Asp, Austin
Executive Vice President
Director since August, 1969

Lee D. Housewright, Jr., Austin
Executive Vice President
Director since August, 1969

William R. Hunter, Austin
Group Vice President
Director since July, 1979

E. C. Alsaker, Austin
Vice President & Treasurer
Director since November, 1969

Bruce Corey. Austin
Vice President
Planning & Engineering
Director since February, 1960

John R. Furman, Austin
Vice President
Dry Sausage Division

Robert M. Gill, Austin
Vice President
Personnel & Industrial Relations
Director since August, 1970

Stanley E. Kerber, Austin
Vice President
Route Car Sales, Distribution
Plant and Food Service Divisions

Lee D Housewright, Jr., Stanley E. Kerber and John R Furman

James A Silbaugh and Raymond J Asp

Clayton T Kingston, Donald S Sorenson and William R Hunter

Bruce Corey and Robert M Gill

Byron M Crippin, Jr., and Charles D Nyberg

Clayton T. Kingston, Austin
Vice President
Pork Operations

Robert F. Potach, Austin
Vice President & Controller
Director since October, 1970

James A. Silbaugh, Austin
Vice President
Grocery Products Division

Donald S. Sorenson, Austin
Vice President
Beef Operations

Byron M. Crippin, Jr., Austin
General Counsel

Charles D. Nyberg, Austin
Secretary &
Director of Public Relations

Don J. Hodapp, Austin
Assistant Controller
Data Processing

Richard W. Schlange, Austin
Assistant Controller
Accounting

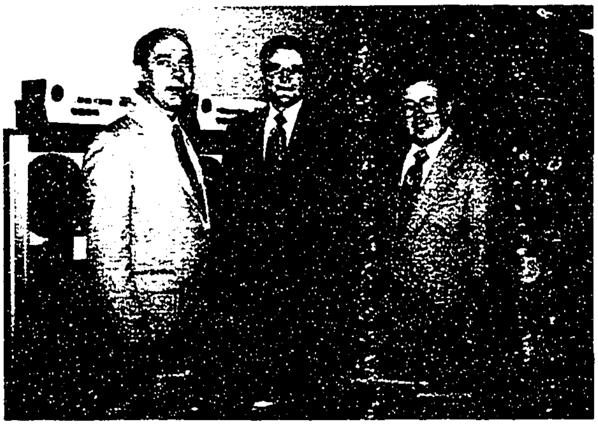
Walter B. Stevens, Austin
Assistant Treasurer
Finance

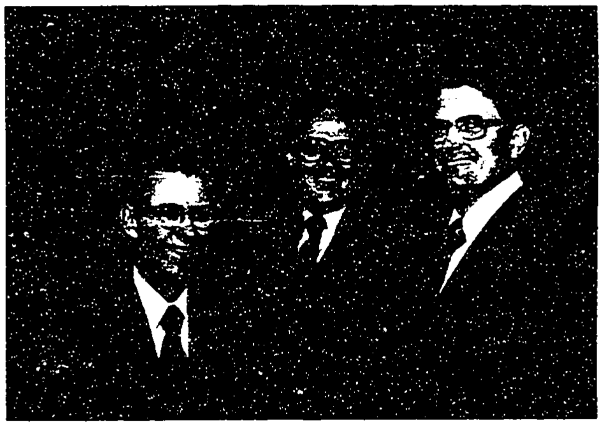
Robert J. Thatcher, Austin
Assistant Treasurer
Taxes

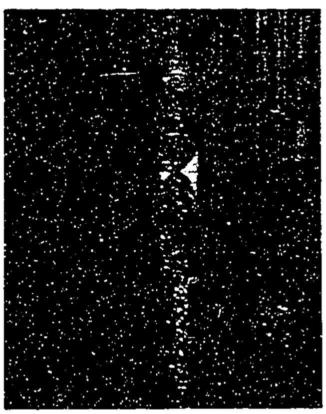
Clarence G. Adamy,
Alexandria, Va.
Food Industry Consultant
Former President
National Association of
Food Chains
Director since January, 1977

Sherwood O. Berg,
Brookings, S.D.
President
South Dakota State University
Director June, 1969-June, 1973
Re-elected November, 1976

Donald R. Grangaard,
Minneapolis, Minn.
Chairman of the Board
First Bank System, Inc.
Director since July, 1974


Don J Hodapp, Robert F Potach and Richard W Schlange


E C Alsaker, Walter B Stevens and Robert J Thatcher


Sherwood O Berg


Donald R Grangaard


Clarence G Adamy

Company Profile

Geo. A. Hormel & Company is a federally-inspected food processor which slaughters livestock for processing into meat and meat products which are sold at the wholesale trade level.

The principal products of the Company are meat and meat products — boneless hams, sausage items, wieners, sliced bacon, luncheon meats, stews, chilis, hash and meat spreads — which are sold fresh, frozen, cured, smoked, cooked or canned. The Company's products are sold in all 50 states by salesmen operating in assigned territories coordinated from district sales offices located in most of the larger cities, and by brokers and distributors who handle carload lot sales.

Hormel operates 20 plants for slaughtering and/or processing and has 12 distribution plants located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii. In addition, the Company operates in international areas, including the Philippines, Okinawa, Dominican Republic, and in various European countries through Hormel International, a wholly-owned subsidiary.

Hormel employs over 8,300 people and has approximately 4,700 stockholders.

Stockholder Data

Common Stock
The common stock of the corporation (HRL) is listed on the American Stock Exchange.

Auditor
Ernst & Whinney
1800 First National Bank Building
Minneapolis, Minn. 55402

Transfer Agent
The First National Bank of Chicago
One First National Plaza
Chicago, Ill. 60670

Registrar
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Ill. 60690

Stockholder Inquiries
Communications concerning transfer requirements and lost certificates should be directed to the Transfer Agent. Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, % Corporate Secretary, P.O. Box 800, Austin, Minn. 55912.

Notice of Annual Meeting
The Annual Meeting of the Company's stockholders will be held on Tuesday, January 29, 1980, in the Austin High School Auditorium. The meeting will convene at 8 p.m.

Form 10-K Annual Report
A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended October 27, 1979, will be provided to stockholders upon written request to the Corporate Secretary, Geo. A. Hormel & Company, P.O. Box 800, Austin, Minn. 55912.

Summary of Operations

Sales and gross earnings in the meat packing industry are influenced to a significant degree by the fluctuating cost of livestock and consumers' demand for meat products The following discussion analyzes significant changes in the major items.

1979 and 1978

Sales increased $169,151,000, or 13.6 per cent, over 1978. The increase was the result of increased prices and a five per cent increase in sales tonnage. Prices on fresh pork products declined in 1979 but increases in other costs more than offset that decline.

Gross profit increased $37,960,000, or 24.3 per cent, in 1979 compared to 1978. The increase was attributable to increased sales, utilization of facilities at optimum operating levels, and a change in product mix, substituting processed product tonnage for sales of low-margin beef.

Cost of goods sold increased to $131,191,000, or 12.1 per cent, over 1978, due to greater sales coupled with higher costs for payroll taxes, utilities, packaging and supplies.

Advertising costs were up $1,146,000, or eight per cent, over 1978. The scope of our advertising program and the media utilized to promote our products did not change; however, the costs for radio and TV time and space-line charges increased.

Maintenance and repair costs for 1979 were $20,016,-000, compared to $18,732,000 for 1978. During the year, equipment was operated at near capacity and the cost of wages and related supplies continued to escalate.

Increased interest expense incurred by the Company during 1979 reflects higher interest rates on higher average short-term borrowings. Interest expense for 1979 was $4,013,000, compared to $3,409,000 for 1978.

Income taxes were $24,717,000 for 1979 and $15,293,000 for 1978 with an effective tax rate of 44.7 per cent and 43 3 per cent, respectively. Investment credit is applied using the flow-through method which contributes to the reduction of the statutory 46.33 per cent tax rate.

Earnings were the highest in the Company's history, due primarily to the near-record supply of hogs. Earnings of $30,612,000 showed an increase of. $10,573,-000 over 1978. Net income equaled 2.16 cents per dollar of sales in 1979 and 1.61 cents per dollar of sales in 1978.

1978 and 1977

Sales increased to a record high in 1978. Net sales were up $138,591,000, or 12.5 per cent, over 1977. Net earnings declined to $20,039,032, or 8 7 per cent, less than 1977. The main cause for the Company's reduced net earnings and increased net sales in 1978 was higher raw material costs which were due to lower supplies of livestock, primarily hogs. The Company paid 18 7 per cent more for hogs and 23.2 per cent more for cattle in 1978 compared to 1977.

Increased selling and delivery expenses of $5,045,795 in 1978 were 5.2 per cent more than 1977. The increase was attributable primarily to salaries, wages, fringe benefits and transportation expenses.

Consumer demand in 1978 was very good for meat products, but we did encounter resistance to the higher prices. A portion of the Company's increased costs were absorbed through cost reduction programs However, the balance of the higher costs could not be passed on to the consumer. The net result was a decrease in net earnings in 1978 of $1,911,857, or 8.7 per cent, less than 1977.

Interest expense increased $663,000 in 1978 due to higher interest rates, which averaged 7.8 per cent in 1978 and 6.1 per cent in 1977, on increased short-term borrowings which reached a high in 1978 of $20,555,000 compared to $13,333,000 in 1977, and on higher average short-term borrowing of $6,220,000 in 1978 compared to $3,666,000 in 1977. The increased borrowings were used for additional working capital.

Advertising costs decreased $1,229,000 in 1978 from the previous high of $15,563,000 in 1977. Advertising expenditures were more selective as to media and markets.

Research and Development costs were $798,000 more than in 1977, partly because of research conducted on nitrite, which is an essential ingredient used to cure processed meats. The Company continues its emphasis on new product development.

The effective income tax rate for 1978 was 43.3 per cent, compared to 48.1 per cent for 1977. The percentage for 1978 was less than the statutory rate because of the investment tax credit which is recorded on the flow-through method, foreign tax credit, and net operating loss carryover to be utilized on a consolidated Federal income tax return.

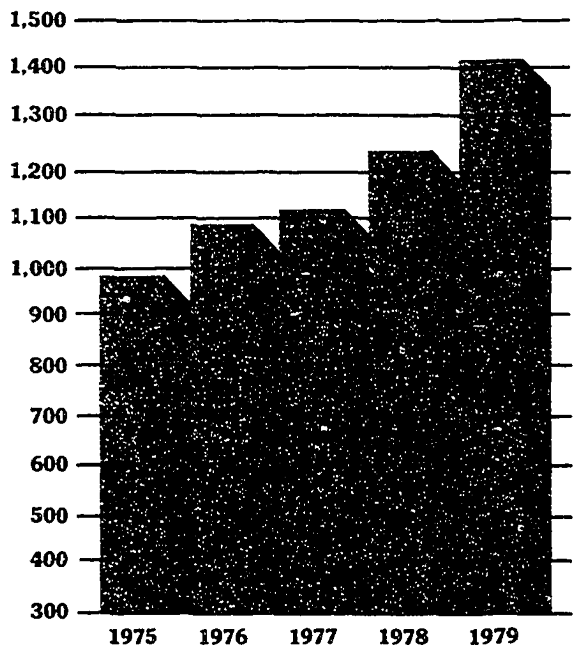
Financial Progress. . .
A Graphic Look

COMMON STOCK DATA

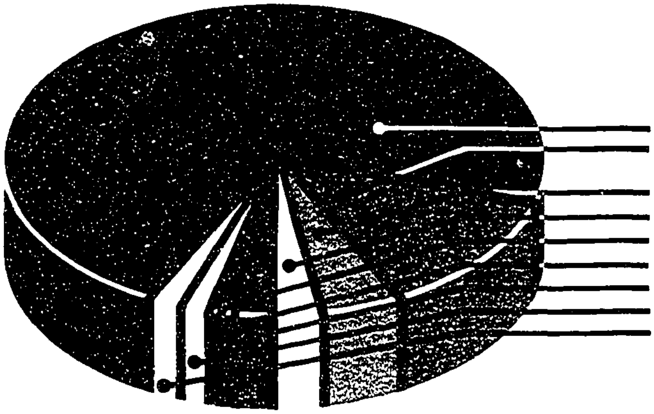
	1979		1978	
Fiscal Quarter	Cash Dividends Declared	Market Price Range	Cash Dividends Declared	Market Price Range
First Quarter	$.37	$23⅝-25½	$.34	$22¾-26⅝
Second Quarter	.37	24¾-35	.34	21⅝-23⅜
Third Quarter	.37	29¾-33⅜	.34	22¼-25¼
Fourth Quarter	.37	31⅜-39	.34	23⅛-27⅞

NET EARNINGS
(Millions of Dollars)

NET SALES
(Millions of Dollars)

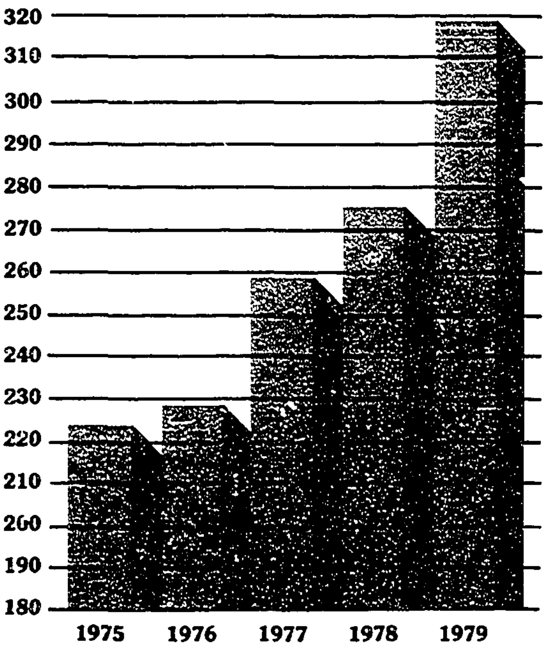


DISTRIBUTION OF SALES DOLLAR / 1979

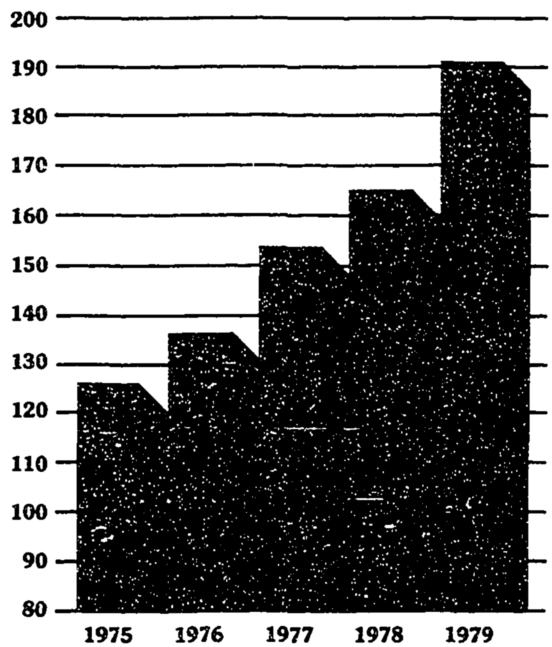


	Cents per Sales Dollar
Cost of Livestock, Supplies, etc	*69.56¢*
Wages and Salaries	*13.32¢*
Manufacturing, Selling & Other Expenses	*5.46¢*
Transportation Costs	*3.25¢*
Employee Benefits	*3.12¢*
Depreciation	*.86¢*
Interest Costs	*.28¢*
All Taxes	*1.99¢*
Net Earnings	*2.16¢*
Total	*100.00*

TOTAL ASSETS
(Millions of Dollars)



STOCKHOLDERS' INVESTMENT
(Millions of Dollars)



Ten Year Review

(In thousands of dollars)

OPERATIONS	1979	1978
Net Sales	$1,414,016	$1,244,865
Net Earnings	30,612	20,039
Percent of Sales	2.16%	1.61%
Wage Costs	232,644	200,631
Total Taxes	28,227	18,431
Depreciation	12,102	11,551
FINANCIAL POSITION		
Working Capital	$ 97,656	$ 89,298
Properties (net)	119,213	103,992
Total Assets	319,779	275,442
Stockholders' Investment	190,373	166,870
PER SHARE OF COMMON STOCK		
Net Earnings	$ 6.37	$ 4.17
Dividends	1.48	1.36
Stockholders' Investment	39.63	34.74

*53 Weeks

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

1977	1976*	1975	1974	1973	1972	1971	1970*
1,106,274	$1,094,832	$995,593	$943,163	$825,671	$719,755	$686,487	$695,768
21,951	14,717	13,366	17,369	7,403	7,788	16,664	9,933
1.98%	1.34%	1.34%	1.84%	.90%	1.08%	2.43%	1.43%
191,719	179,588	167,049	151,052	129,419	129,277	127,775	116,921
23,276	14,127	13,102	18,094	8,717	9,431	19,053	12,648
11,312	10,697	9,140	7,667	7,125	6,417	5,435	4,918
79,253	$ 63,957	$ 64,350	$ 48,659	$ 34,256	$ 39,275	$ 43,646	$ 37,818
99,921	97,465	85,398	74,392	67,481	60,178	51,841	45,683
258,283	228,585	224,488	193,696	179,950	149,468	153,144	129,416
153,363	136,792	126,879	117,932	104,654	101,187	96,175	83,081
$ 4.57	$ 3.06	$ 2.78	$ 3.62	$ 1.54	$ 1.63	$ 3.50	$ 2.09
1.12	1.00	.92	.84	.81	.78	.75	.70
31.93	28.48	26.42	24.55	21.77	21.04	20.20	17.45

Statements of Consolidated Financial Position

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	October 27, 1979	October 28, 1978
ASSETS		
CURRENT ASSETS		
Cash	**$ 10,295,603**	$ 7,039,511
Short-term marketable securities — at cost which approximates market	**38,119,385**	8,424,145
Accounts receivable, less allowance (1979 — $445,000; 1978 — $435,000)	**68,506,749**	67,142,564
Inventories of products, livestock, packages and supplies — Note B	**77,830,134**	83,391,491
Prepaid expenses	**686,212**	1,280,074
TOTAL CURRENT ASSETS	**195,438,083**	167,277,785
INVESTMENTS AND OTHER ASSETS	**5,128,097**	4,172,343
PROPERTY, PLANT AND EQUIPMENT		
Land	**3,096,084**	3,042,809
Buildings	**72,967,018**	67,325,175
Equipment	**134,956,064**	117,292,632
Construction in progress — Note G	**8,260,717**	6,826,518
	219,279,883	194,487,134
Less allowance for depreciation	**(100,066,619)**	(90,494,832)
	119,213,264	103,992,302
	$319,779,444	$275,442,430

LIABILITIES AND STOCKHOLDERS' INVESTMENT	October 27, 1979	October 28, 1978
CURRENT LIABILITIES		
Notes payable	$ 475,000	$ 439,000
Accounts payable and accrued expenses	85,966,241	71,697,055
Dividend payable	1,777,205	1,633,108
Federal income taxes	9,319,585	3,977,248
Current maturities of long-term debt	244,000	233,000
TOTAL CURRENT LIABILITIES	97,782,031	77,979,411
LONG-TERM DEBT — less current maturities — Note C	28,749,000	28,993,000
DEFERRED INCOME TAXES	2,875,000	1,600,000
STOCKHOLDERS' INVESTMENT — Note H		
Common Stock, par value $1.875 a share — authorized 6,000,000 shares, issued — 4,803,258 shares	9,006,109	9,006,109
Additional paid-in capital	2,761,377	2,761,377
Earnings reinvested in business	178,605,927	155,102,533
	190,373,413	166,870,019
	$319,779,444	$275,442,430

See notes to consolidated financial statements

Statement of Changes in Consolidated Stockholders' Investment

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Common Stock	Additional Paid-In Capital	Earnings Reinvested in Business
Balance at October 29, 1977	$9,006,109	$2,761,377	$141,595,933
Net earnings for the year			20,039,032
Cash dividends declared — $1.36 a share			(6,532,432)
Balance at October 28, 1978	9,006,109	2,761,377	155,102,533
Net earnings for the year			30,612,215
Cash dividends declared — $1.48 a share			(7,108,821)
Balance at October 27, 1979	$9,006,109	$2,761,377	$178,605,927

See notes to consolidated financial statements

Statements of Consolidated Earnings

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended October 27, 1979	October 28, 1978
Sales, less returns and allowances	**$1,414,015,652**	$1,244,864,900
Interest and other income	**1,766,295**	742,367
	1,415,781,947	1,245,607,267
Costs and expenses:		
Cost of products sold	**1,219,527,203**	1,088,336,744
Selling and delivery	**116,932,700**	102,571,865
Administrative and general	**19,980,173**	15,957,743
Interest	**4,012,656**	3,408,883
	1,360,452,732	1,210,275,235
EARNINGS BEFORE INCOME TAXES	**55,329,215**	35,332,032
Provision for income taxes — Note E	**24,717,000**	15,293,000
NET EARNINGS (Per Share — 1979 — $6.37; 1978 — $4.17)	**$ 30,612,215**	$ 20,039,032

See notes to consolidated financial statements

Statements of Changes in Consolidated Financial Position

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended October 27, 1979	Fiscal Year Ended October 28, 1978
Working capital at beginning of year	**$89,298,374**	$79,252,754
Additions:		
From operations:		
Net earnings for the year	**30,612,215**	20,039,032
Provision for depreciation	**12,102,125**	11,551,197
Deferred income taxes	**1,275,000**	900,000
Other	**-0-**	336,674
TOTAL FROM OPERATIONS	**43,989,340**	32,826,903
Proceeds from long-term debt	**-0-**	1,000,085
Carrying value of disposals of property, plant and equipment	**117,878**	185,577
	44,107,218	34,012,565
Deductions:		
Payments and maturities of long-term debt	**244,000**	233,085
Additions to property, plant and equipment	**27,440,965**	15,808,200
Cash dividends on Common Stock	**7,108,821**	6,532,432
Increase in investments and other assets	**955,754**	1,393,228
	35,749,540	23,966,945
INCREASE IN WORKING CAPITAL	**8,357,678**	10,045,620
WORKING CAPITAL AT END OF YEAR	**$97,656,052**	$89,298,374
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	**$ 3,256,092**	$ (632,371)
Short-term marketable securities	**29,695,240**	(13,367,812)
Accounts receivable	**1,364,185**	16,304,555
Inventories	**(5,561,357)**	9,547,967
Prepaid expenses	**(593,862)**	178,873
	28,160,298	12,031,212
Increase (decrease) in current liabilities:		
Notes payable	**36,000**	(355,176)
Accounts payable and accrued expenses	**14,269,186**	6,695,101
Dividend payable	**144,097**	288,196
Federal income taxes	**5,342,337**	(4,698,529)
Current maturities of long-term debt	**11,000**	56,000
	19,802,620	1,985,592
INCREASE IN WORKING CAPITAL	**$ 8,357,678**	$10,045,620

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

October 27, 1979

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Hormel and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's equity therein. Net translation gains and losses (immaterial in amount in each year) are included in income as they occur.

Segment Information: Hormel is engaged in a single business segment designated as "meat and food processing". As a federally inspected food processor, it slaughters livestock for processing into meat products which are sold at the wholesale trade level. Export sales account for less than 2% of sales. No customer accounts for more than 4% of sales.

Inventories: Inventories are valued at the lower of cost or replacement market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Property, Plant and Equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized.

Pension Plans: The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes: Provision is made in the financial statements for deferred income taxes arising from timing differences in accounting for depreciation for tax and financial reporting purposes. Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Earnings Per Share: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year.

Fiscal Year: The Company's fiscal year ends on the last Saturday in October.

NOTE B — INVENTORIES

Inventoriable expenses, packages and supplies amounting to approximately $22,100,000 at October 27, 1979 and $19,100,000 at October 28, 1978, are stated at cost determined by the last-in, first-out method, and are $10,100,000 and $6,600,000 lower in the respective years than such inventories determined under the first-in, first-out cost method.

Notes to Consolidated Financial Statements (CONTINUED)

NOTE C — LONG-TERM DEBT

Long-term debt consists of:	October 27, 1979	October 28, 1978
9% notes	**$25,000,000**	$25,000,000
Capitalized leases	**3,993,000**	4,226,000
	28,993,000	29,226,000
Less current maturities	**244,000**	233,000
	$28,749,000	$28,993,000

The 9% notes are due in 1985 and contain certain provisions and restrictions relating to limitations on liens, sale and leaseback arrangements, and funded debt. The Company is in compliance with the provisions and restrictions of the Note Agreement at October 27, 1979.

NOTE D — PENSION PLANS

Contributions to the Company's pension plans for 1979 and 1978 were $15,100,000 and $13,500,000, respectively. Approximately two-thirds of the pension costs relate to union plans. Under the terms of a three year union contract taking effect in 1979, pension benefits will increase approximately 39% by 1982 spread evenly over the three year period. The actuarially computed value of vested benefits for all plans exceeded the pension fund assets at October 27, 1979 by approximately $51,400,000.

NOTE E — INCOME TAXES (In Thousands)

The components of the provision for income taxes are as follows:

	Fiscal Year Ended					
	October 27, 1979			**October 28, 1978**		
	Total	**Current**	**Deferred**	**Total**	**Current**	**Deferred**
U.S. Federal	$22,574	$21,524	$1,050	$14,269	$13,444	$825
Foreign	280	280		(239)	(239)	
State	1,863	1,638	225	1,263	1,188	75
	$24,717	$23,442	$1,275	$15,293	$14,393	$900

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate for fiscal 1979 and 1978 follows:

	1979	1978
U.S. statutory rate	**46.3%**	48.0%
State taxes on income, net of federal tax benefit	**1.8**	1.9
Investment tax credits	**(3.5)**	(2.3)
Utilization of foreign tax credits, net operating losses and other credits	**—**	(2.0)
All other, net	**.1**	(2.3)
Effective tax rate	**44.7%**	43.3%

NOTE F — LEASES

Rental expense and future lease commitments are not material.

NOTE G — CONSTRUCTION IN PROGRESS

The estimated costs to complete construction in progress at various locations at October 27, 1979 is approximately $118,000,000.

NOTE H — PREFERRED STOCK

The authorized 50,000 shares of Preferred Stock, par value $100 a share, remain unissued.

NOTE I — REPLACEMENT COST INFORMATION (Unaudited)

The impact of inflation on the Company's inventories is not significant because of their rapid turnover. The current replacement of productive capacity, however, would require a substantially greater capital investment than originally made to acquire those assets. The impact of inflation on the replacement of productive capacity would be at least partially offset by improved efficiency in plant layout and lower operating costs.

Estimated replacement cost information for inventories and productive capacity as of October 27, 1979 and October 28, 1978 and the related effect on the cost of products sold and depreciation expense for the year, are disclosed in the Company's annual report on Form 10-K to be filed with the Securities and Exchange Commission.

NOTE J — QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following tabulation reflects the unaudited quarterly results of operations for the years ended October 27, 1979 and October 28, 1978 (amounts in thousands except per share data).

1979	Net Sales	Gross Profit	Net Earnings	Earnings Per Share
First Quarter	$ 339,398	$ 45,641	$ 7,525	$1.57
Second Quarter	357,529	45,214	5,985	1.24
Third Quarter	351,683	46,566	6,730	1.40
Fourth Quarter	365,406	57,067	10,372	2.16
	$1,414,016	$194,488	$30,612	$6.37
1978				
First Quarter	$ 285,518	$ 40,481	$ 5,209	$1.08
Second Quarter	301,125	39,273	3,965	.83
Third Quarter	309,186	36,932	3,277	.68
Fourth Quarter	349,036	39,842	7,588	1.58
	$1,244,865	$156,528	$20,039	$4.17

Quarterly gross profit for the first three quarters of 1978 has been restated to reflect an internal reclassification between cost of goods sold and selling, general and administrative expenses. There is no effect upon annual gross profit nor upon quarterly net earnings.

Report of Ernst & Whinney, Independent Auditors

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statements of consolidated financial position of Geo. A. Hormel & Company and subsidiaries as of October 27, 1979 and October 28, 1978, and the related statements of consolidated earnings, changes in stockholders' investment and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Geo. A. Hormel & Company and subsidiaries at October 27, 1979 and October 28, 1978, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst + Whinney

Minneapolis, Minnesota
November 20, 1979